



MARYLAND DEPARTMENT OF THE ENVIRONMENT

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RGGI FACTS

- **What does the program do:** The program will require electric power generators in participating states to reduce CO₂ emissions. CO₂ is a major contributor to climate change. The RGGI states, including Maryland, are vulnerable to climate change impacts such as sea-level rise, increased intensity and frequency of storms, and extreme droughts and heat waves.
- **Who and what will be affected, when:** The RGGI program will start in 2009 and include coal-fired, oil-fired, and gas-fired electric generating units that are located in the RGGI region and have a capacity of at least 25 megawatts. In 2009, emissions in the RGGI region will be capped at 188 million tons (37.5 million tons in Maryland), or in other words, CO₂ emissions from affected sources will not be allowed to exceed 188 million tons. This cap will remain in place until 2015. Then, from 2015 to 2019, emissions will be reduced a total of 10%, 2.5% per year, from this base cap.
- **How does a CO₂ cap and trade program work:** A cap and trade program is an approach to reducing emissions of CO₂ in a region. The program establishes: (1) a limit on the total quantity of CO₂ that can be emitted into the atmosphere, and (2) a market-based system for purchasing emissions allowances.
- **What electricity generators will need to do:** Maryland generators included in the RGGI program will need to acquire, from auctions or directly from the Maryland Department of the Environment, one allowance (permit to emit CO₂) for every ton of CO₂ that they emit.
- **How many emissions allowances will be auctioned or sold:** RGGI requires at least 25% of the allowances to be auctioned and the proceeds to be allocated to a public benefits fund. Maryland will auction 100% of the allowances allocated to its Consumer Energy Efficiency Account, equivalent to 85% of the 37,504,000 allowances allocated to Maryland. The Department, in its cap and trade rule, created a trigger mechanism for the first compliance period (first three years). If an auction clearing price reaches \$7, up to 50% of a year's allowances will be reserved for purchase by the Maryland generators at \$7 per allowance. This allows generators an option to purchase allowances from the Department, providing protection against high auction and secondary market allowance costs that could be passed on to ratepayers.
- **What are offsets and how can they be used:** The program will allow for offset allowances, or credits for greenhouse gas source reductions outside the cap, to be applied against an electricity generator's CO₂ emissions. Examples of offset projects include landfill gas capture and destruction, and tree planting. Priority will be given to in-state projects.
- **What is leakage and what is RGGI doing about it:** RGGI is addressing concerns about "leakage", the shifting of electricity generation from power plants in RGGI states to power plants in areas without caps on CO₂ emissions, such as Pennsylvania and states in the Midwest. States within the RGGI program, including Maryland, continue to analyze the impacts of leakage. They are also in the process of evaluating energy efficiency programs designed to reduce consumer demand for electricity, since reducing demand for electricity reduces the problem of leakage. In addition, the two regional independent system operators (ISOs) within the RGGI region and PJM, a regional electricity transmission organization covering Maryland and other states in the Mid-Atlantic and Midwest, are adding emissions and leakage tracking measures to their systems. This work will be completed by the end of 2008. A federal CO₂ emissions reduction program would decrease the problem of leakage in the RGGI region.